

**SOUTH AFRICAN RUGBY UNION**

**TERMS OF REFERENCE OF THE AUDIT AND RISK COMMITTEE**

**TERMS OF REFERENCE FOR AUDIT AND RISK COMMITTEE**

**Introduction**

The Audit and Risk Committee (“the Committee”) is constituted as a committee of the **South African Rugby Union** (“SARU”) and is appointed by the executive council to ensure the integrity of the financial statements and oversee the effectiveness of internal financial controls and external and internal audit functions.

The duties and responsibilities of the members of the Committee as set out in this document.

**Purpose of the terms of reference**

The purpose of these terms of reference is to set out the Committee’s composition, role, responsibilities, authority, meetings and procedures.

**Composition of the Committee**

The Committee will comprise of no fewer than four (4) and no more than six (members), as per the SARU constitution.

The Committee shall have a majority of independent members who shall serve for a period of two years.

An “Independent member”, in the context of the Committee is any independent member of a subcommittee of SARU or any of the governing structures of a province of SARU and is independent in character and judgement and has no relationships or circumstances which affects his / her judgement.

The chair will be an independent non-executive member of the executive council as per King -IV guidelines and shall be appointed by the executive council every two years.

Other members of management may be invited to attend and be heard at the committee meetings at the discretion of the chair.

The President of SARU and the CEO is not eligible for appointment as a member of this Committee but may attend meetings by invitation.

The members of the Committee must collectively have sufficient qualifications and experience to fulfil their duties, including an understanding of the following: financial and sustainability reporting; internal financial controls; external audit process; internal audit process; corporate law; risk management; sustainability issues; information technology governance as it relates to integrated reporting; and governance processes within SARU.

The Committee members must keep up-to-date with developments affecting the required skill-set.

**Role**

The Committee has an independent role with accountability to both the executive council and the general meeting. The Committee does not assume the functions of management, which remain the responsibility of the chief executive officer and other members of senior management. The Committee has an oversight role over the governance and key compliance issues.

**Responsibilities**

The Committee has the following specific responsibilities:

1. ***Integrated reporting***

The Committee oversees integrated reporting, and in particular must:

* Consider the factors and risks that may impact on the integrity of the integrated report;
* Review the annual financial statements;
* Comment in the integrated report on the financial statements, the accounting practices and the effectiveness of the internal financial controls;
* Disclose significant matters that the audit committee has considered in relation to the annual financial statements and how these were addressed by the committee.
* Recommend the annual financial statements for approval by the executive council
* Approve the Complaint Policy with respect to accounting practices, content or auditing of the financial statements and internal financial controls.
* Receive and deal appropriately with any concerns or complaints, whether from within or outside SARU, or on its own initiative, relating to:
	+ the accounting practises and internal audit of the organisation
	+ the content or auditing of SARU’s financial statements
	+ the internal financial controls of the company
* Review of the Reserves Policy
* Prepare a report to the general meeting at the AGM, to be included in the integrated report:
	+ describing how the Committee carried out its functions; and
	+ stating whether the Committee is satisfied that the auditor was independent of the company.
1. ***Combined assurance***

The Committee will ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities, and in particular should:

* Ensure that the combined assurance received is appropriate to address all the significant risks facing SARU;
* Oversee the management of the financial and other risks that affect the integrity of external reports issued by SARES (Pty) Ltd;
* Monitor the relationship between the external assurance providers and SARU.
1. ***Internal audit***

The Committee is responsible for overseeing the outsourced internal audit function, and in particular:

* Monitoring and reviewing the effectiveness of the outsourced internal audit function in the context of SARU’s risk management system;
* The appointment and performance assessment of the outsourced internal audit service provider;
* Reviewing and recommending the approval the internal audit plan and ensuring that the plan is risk based;
* Reviewing and approving any required changes to internal audit scope
* Reviewing the co-operation and co-ordination between internal and external audit functions to ensure completeness of coverage;
* Reviewing the adequacy of management’s corrective action taken in response to significant internal audit findings; and
* Obtaining assurances as and when the Committee determines it appropriate from the outsourced internal auditors on whether the internal audit function is subject to an independent quality review (internally or externally).
1. ***Risk management***

The Committee is an integral component of the risk management process and specifically must oversee:

* Setting the direction and approving policies on how risk should be approached and addressed with SA Rugby and SARES (Pty) Ltd;
* Approving the annual update to the Risk Statement contained in the Annual Report;
* Completeness and appropriateness of the insurance portfolio;
* Application and approval of the solvency and liquidity test and going concern status;
* Financial reporting risks;
* Internal financial controls;
* Fraud risks as they relate to financial reporting; and
* IT risks as they relate to the impact on financial reporting.
1. ***External audit***

The Committee is responsible for recommending the appointment of the external auditor and to oversee the external audit process, and in this regard must:

* Review and approve the annual audit plan;
* Nominate and recommend the external auditor for appointment by the general meeting;
* Recommend the approval of the terms of engagement and remuneration for the external auditor;
* Determine the nature and extent of any non-audit services that an auditor may provide to SARU or its subsidiaries or that the auditor must not provide to SARU, its subsidiaries or a related company;
* Pre-approve any proposed agreement with the auditors for the provision of non-audit services to SARU in the event that it exceeds 30% of the statutory audit fee;
* Monitor and report on the independence and objectivity of the external auditor;
* Review the quality and effectiveness of the external audit process and report;
* Consider whether the audit firm and, where appropriate, the individual partner that will be responsible for performing the functions of auditor, are independent;
* Consider any material problems, reservations and observations, and or potentially contentious accounting treatments or judgements, or significant unusual transactions or going concern issues arising from the external audit and
* Conduct an annual review of the quality and effectiveness of the external auditors and recommend the necessary actions to be taken if there are concerns regarding the quality and effectiveness of the external audit functions.
1. ***Governance and Organisational Integrity***

6.1 The Committee shall:

(a) consider and if deemed necessary shall be entitled to make recommendations to the executive council regarding initiatives to maintain and enhance organisational integrity and this could include:

* the review of any statements on ethical standards or requirements for SARU and assisting in developing such standards and requirements;
* together with internal and external audit, review developments in corporate governance and best practise and consider their impact and implications for SARU, its processes and structures.
1. ***Conflicts of Interests***

7.1 The Committee shall:

* + - * 1. review the process for declarations of interests by members and any office bearers and make recommendations regarding additional mechanisms, policies or directives to improve the practices and processes in this regard.

**Authority**

The Committee has no decision-making authority in regard to its duties and is accountable in this respect to both the executive council and the general meeting.

On all responsibilities delegated to it by the executive council, the Committee makes recommendations for approval by the executive council and / or the General Council (where applicable).

The Committee acts in accordance with its duties and the delegated authority of the executive council as recorded in this terms of reference. It has the power to investigate any activity within the scope of its terms of reference.

The Committee, in the fulfilment of its duties, may call upon the chairperson of the other executive council committees, any of the executive council members, management, and company secretary or assurance providers to provide it with information, subject to an executive council approved process being followed.

The Committee has - access to SARU’s records, facilities, employees and any other resources necessary to discharge its duties and responsibilities subject to an executive council approved process being followed.

The Committee may form, and delegate authority to, subcommittees and may delegate authority to one or more designated members of the Committee.

The Committee has the right to obtain independent outside professional advice to assist with the execution of its duties, at SARU’s cost, subject to an executive council approved process being followed.

**Meetings and Procedures**

***Frequency***

The Committee chairperson should, in consultation with the company secretary, decide the frequency and timing of its meetings. The Committee should meet as frequently as is necessary to perform its functions, but should meet at least twice a year. Reasonable time should be allocated for all audit committee meetings.

Meetings in addition to those scheduled may, with approval of the chairperson, be held at the request of the external auditor, the internal auditor, the chief executive officer, chief financial officer, or at the instance of the executive council.

The Committee should meet at least once a year with the external and internal auditors without management being present. These may be separate meetings or meetings held before or after a scheduled audit committee meeting.

The chairperson of the Committee should be present at SARU’s Annual General Meeting to answer questions relating to the Committee’s activities within the scope of its responsibilities.

The Committee’s chairperson should give at least an oral summary of the Committees’ deliberations at the executive council meeting following each Committee meeting. The minutes of the Committee meeting’s proceedings should be included in the pack for the executive council’s information as soon as they have been approved.

***Attendance***

The chief executive officer, chief financial officer, representatives from the external auditors, representatives from the outsourced internal audit service provider, other assurance providers, professional advisors and other members of the executive council who are not members of this Committee, may be in attendance at Committee meetings, but by invitation only, without the right to vote.

The Committee members must attend all scheduled meetings of the Committee, including meetings called on an ad *hoc*-basis for special matters, unless prior apology, with reasons, has been submitted to the chairperson or company secretary.

The company secretary is the secretary to the Committee.

If the incumbent chairperson of the Committee is absent from a meeting, the members present must elect one of the members present to act as chairperson.

***Agenda and minutes***

The Committee must establish an annual work plan for each year to ensure that all relevant matters are covered by the agendas of the meetings planned for that year.

The annual plan must ensure proper coverage of the matters laid out in the Committee plan: the more critical matters will need to be attended to each year while other matters may be dealt with on a rotation basis over a three-year period.

The number, timing and length of meetings, and the agendas are to be determined in accordance with the annual plan.

A detailed agenda, together with supporting documentation, must be circulated, at least one week prior to each meeting to the members of the Committee and other invitees.

Committee members must be fully prepared for Committee meetings, to provide appropriate and constructive input on matters discussed.

The minutes of Committee meetings must be completed as soon as possible after each meeting and circulated to the chairperson and members of the Committee for review thereof. The minutes must be formally approved by the Committee at its next scheduled meeting.

Committee members shall declare their interest whether of a general nature, or related to specific agenda issues, at meetings of the Committee.

***Quorum***

A quorum for Committee meetings is a majority of members being present.

Invitees in attendance at Committee meetings may participate in discussions but do not form part of the quorum for Committee meetings.

**Evaluation**

The committee must review its own performance and terms of reference to ensure it is operating at maximum effectiveness. The executive council must perform an evaluation of the effectiveness of the Committee every year.

**Remuneration**

* All independent members of the Audit & Risk Committee are eligible to receive such remuneration in respect of their time and contributions to the business of the Audit & Risk Committee as may be determined by formal resolution of the Remuneration Committee of SARU from time to time. Members excluded from being remunerated include Executive Council members and members of SARU’s staff who serve on this committee.
* The members and attendees may also be reimbursed all travelling, hotel and other expenses properly incurred by them in or about the performance of their activities as members or attendees, including those of travelling to and from meetings of the Audit & Risk Committee, on such basis as the Remuneration Committee of SARU may determine from time to time.

**Confidentiality and Governance**

* All members of the Audit & Risk Committee, whether or not they are employees of SARU, automatically undertake to be bound in full by the Code of Corporate Practices and Conduct of SARU, its Values and its Code of Ethics (“Unified Code of Ethics”).
* All members of the Audit & Risk Committee automatically undertake to observe full confidentiality regarding the content of all information which may come to their attention from time to time. No such information may be revealed to persons outside of SARU without the prior authorisation of the CEO of SARU
* Unless specifically authorised by the CEO of SARU, no member of the Audit & Risk Committee may make statements to the media.

**Approval of these terms of reference**

* These terms of reference were approved by the executive council and the Chairperson of the Committee on 17 October 2018.